

Message Text

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INFO OCT-01 ARA-06 ISO-00 SSO-00 INRE-00 SS-15 SP-02 L-02

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AMCONSUL BELEM

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E.O. 11652: N/A

TAGS: EFIS, BR

SUBJECT: RENEGOTIATION OF BILATERAL SHRIMP FISHING ARRANGEMENT

REFS: BRASILIA 504; BRASILIA 528; BRASILIA 545; STATE 017817;
STATE 016468

1. SUMMARY: SERGIO BATH, DEPUTY CHAIRMAN GOB DELEGATION,
HAS ACKNOWLEDGED THAT GOB SEEKS SIGNIFICANT PHASE-DOWN
BUT NOT PHASE-OUT IN FORTHCOMING NEGOTIATIONS. PHASE-
DOWN SCHEDULE IN NEW THREE-YEAR AGREEMENT WITH BARBADOS
IS 23, 17, AND 15 VESSELS, AS AGAINST 10 VESSELS UNDER
EXISTING AGREEMENT. ACCORDING TO BATH, THIS REFLECTS
PREFERENCE ACCORDED LDC HEAVILY DEPENDENT ON FISHING
AS WELL AS EARLIER COMMITMENT TO RAISE BARBADOS QUOTA
TO 20 VESSELS, SAME LEVEL AS TRINIDAD AND TOBAGO.
GOB WOULD SEEK SUBSTANTIAL INCREASE IN PAYMENTS, IMPLICITLY

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RELATED TO SHRIMP REVENUES, SET ON A PER-VESSEL
BASIS (AS IN OTHER AGREEMENTS), BUT ITS OBJECTIVE WOULD BE

TO ESTABLISH ECONOMIC INCENTIVES FOR JOINT VENTURES
RATHER THEN TO GAIN ACCEPTANCE OF JURIDICAL POSITION.
IF TOTAL FISHING OPERATIONS INSUFFICIENT, GOB WISHES TO
RESERVE UNILATERAL RIGHT TO INCREASE US FISHING QUOTA.
END SUMMARY.

2. IN INFORMAL DISCUSSION WITH ECON COUNSELOR, JANUARY 28, MINISTER
SERGIO GUARISHI BATH, DEPUTY CHAIRMAN OF BOB DELEGATION
IN FORTHCOMING NEGOTIATIONS, PROVIDED FURTHER ELABORATIONS
BRAZILIAN POSITION AS FOLLOWS:

(A) RESOURCE ASSUMPTION: GOB "PRUDENTLY" ASSUMED THAT
CAPACITY OF FISHING AREA, CONSISTENT WITH SOUND CONSERVA-
TION PRACTICES, WAS ABOUT 400 VESSELS. GOB RECOGNIZES
THAT SOME ESTIMATES, NOTABLY THOSE OF SOME US SCIENTISTS,
ARE CONSIDERABLY HIGHER.

(B) LIFE OF AGREEMENT: GOB HAD SETTLED ON THREE-YEAR
TERM AS REASONABLE COMPROMISE: A LONGER TERM, UNDER
PHASE-OUT PRINCIPLE, WOULD REQUIRE US TO AGREE TO DRASTIC
PHASE-DOWN OR PHASE-OUT (WHICH BATH IMPLICITLY RECOGNIZED
US WOULD NOT ACCEPT); A SHORTER AGREEMENT WOULD DEPRIVE
"PHASE-OUT" PRINCIPLE OF A GOOD DEAL OF ITS OPERATIONAL
CONTENT. (IN AN ASIDE, BATH SAID GOB MIGHT CONCEIVABLY
BE PREPARED TO AGREE TO TWO-YEAR AGREEMENT IF THREE-YEAR
TERM CREATED TOO MUCH DIFFICULTY.)

(C) AGREEMENT RATIONALE: GOB DID NOT SEEK ACCEPTANCE
OF ITS JURIDICAL POSITION. IN THE AGREEMENTS WITH
BARBADOS (COMPLETED) AND TRINIDAD AND TOBAGO
(UNDER NEGOTIATION) GOB HAD BEEN ABLE TO WORK OUT
COMPROMISE THROUGH DISCLAIMER FORMULA. (BOTH ALLEGED
THAT SUBSTANCE OF PREAMBLE IN DRAFT AGREEMENT PROVIDED
TO USG WAS BEING RETAINED IN OTHER AGREEMENTS.)

(D) PHASE-DOWN OF QUOTA CEILINGS: GOB WAS SEEKING
SIGNIFICANT REDUCTION OF QUOTAS BUT NO PHASE-OUT BY
END OF THREE-YEAR AGREEMENT. IT WAS INTERESTED IN
ECONOMIC RESULTS -- THE STIMULATION OF JOINT VENTURES --
RATHER THAN EXPLICIT ACCEPTANCE OF PHASE-OUT CONCEPT.
GOB WOULD WISH RETAIN RIGHT TO INCREASE ANNUAL QUOTA
UNILATERALLY, IF JOINT VENTURES DID NOT PROVIDE FISHING
OPERATIONS OR SUFFICIENT SCALE, TO ENSURE UTILIZATION OF
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AVAILABLE MARINE RESOURCES. (SEE, ALSO, POINT E BELOW.)
IN THE CASE OF BARBADOS, AGAINST BACKGROUND OF QUOTA
OF 10 VESSELS UNDER PRESENT AGREEMENT AND COMMITMENT
TO RAISE THIS FIGURE TO 20 VESSELS -- THE SAME LEVEL
AS TRINIDAD AND TOBAGO -- GOB HAD AGREED TO FOLLOWING
PHASE-DOWN SCHEDULE: FIRST YEAR - 23 VESSELS, SECOND -
17, THIRD - 15. BATH ARGUED THAT THIS SCHEDULE REFLECTED
PREFERENCE ACCORDED BARBADOS BECAUSE OF ITS HEAVY DE-
PENDENCE ON FISHING BUT CLAIMED THAT BARBADOS WAS AGREEABLE TO
IDEA OF ULTIMATELY TRANSFERRING FISHING

ACTIVITIES TO JOINT VENTURE BASIS. GOB WOULD LIKE TO CONSOLIDATE THE TWO CEILINGS UNDER PRESENT US-GOB AGREEMENT (TOTAL NUMBER OF VESSELS AUTHORIZED AND OPERATIONAL CEILING) -- THIS IS APPARENTLY A DESIDERATUM OF BRAZILIAN NAVY -- IN LINE WITH SAMPLE CEILING UNDER THREE OTHER AGREEMENTS; BUT, BATH ADDED, GOB WOULD NOT "FIGHT AND DIE" FOR THIS. US SHIPPING INTERESTS HAD BEEN METICULOUS IN OBSERVING OPERATIONAL CEILING, AND BRAZILIA NAVY WAS HIGHLY SATISFIED WITH THEIR PERFORMANCE.

(E) PAYMENTS: GOB WOULD SEEK SUBSTANTIAL INCREASE IN PAYMENT, RESET ON A PER-VESSEL BASIS, AS IN THE OTHER THREE AGREEMENTS. (BATH CONCEDED THAT PRESENT PER-VESSEL PAYMENTS UNDER THESE AGREEMENTS ARE SIGNIFICANTLY LESS (\$900 PER VESSEL) THAN THE PER-VESSEL AVERAGE OF US PAYMENTS.) GOB FELT INCREASE WAS WARRANTED BY COST INCREASES, ACTUAL AND EXPECTED UNDER THREE-YEAR AGREEMENT; BUT, ON TOP OF THIS, SEEKS ECONOMICALLY SIGNIFICANT INCREASE WHICH WOULD PROVIDE INCENTIVE FOR GRADUAL TRANSFER OF FISHING OPERATIONS TO BRAZILIAN FLAG AND US-BRAZILIAN JOINT VENTURES. BATH AFFIRMED GOB DID NOT SEEK TO GAIN ACCEPTANCE OF JURIDICAL POINT THROUGH THESE INCREASES. ALSO, BRAZILIAN NAVY IS SEEKING SUBSTANTIAL INCREASE IN PER-DIEM FEE FOR SEIZED VESSELS TO COVER COST INCREASES.

(F) OTHER OPERATIONAL CONDITIONS: GOB WOULD NOT ASK FOR ANY MAJOR CHANGES IN TECHNICAL SPECIFICATIONS OF VESSELS, AREAS OF OPERATION, ETC.

(G) INCENTIVES FOR JOINT VENTURES: BATH WAS VAGUE AS TO NEW POSITIVE INCENTIVE, IF ANY, GOB WAS PREPARED TO OFFER TO ATTRACT FOREIGN INVESTORS INTO JOINT VENTURES WITH BRAZILIAN INTERESTS. HE HELD OUT POSSIBILITY OF SPECIAL FINANCING, RELAXATION OF RESTRICTIONS ON LIMITED OFFICIAL USE
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NATIONALITY OF CREWS ETC., BUT ACKNOWLEDGED THAT HE WAS NOT TOO FAMILIAR WITH THIS AREA. HOWEVER, OTHER PARTS OF GOB ALLEGEDLY HAVE SOUGHT TO CONTACT US FISHING INTERESTS TO ASCERTAIN THE CONDITIONS UNDER WHICH US COMPANIES WOULD BE WILLING TO ENTER INTO JOINT VENTURES. BATH NOTED THAT US COMPANIES HAD PRESENTED LIST OF CONDITIONS, INPLICITLY ACKNOWLEDGING THAT THE BRAZILIAN APPROACH HAD SO FAR MET WITH LITTLE RESPONSE.

(H) TIMING OF NEGOTIATIONS: COUNSELOR ASKED WHETHER GOB HAD CONSIDERED TIMING OF NEGOTIATIONS IN RELATION TO LOS NEGOTIATIONS AND WHY GOB PERSISTED IN PRESSING FOR SUCH FAR-REACHING CHANGES IN ADVANCE OF LOS CONFERENCE RESULTS. BATH RESPONDED THAT EVEN AFTER LOS NEGOTIATIONS AND ADOPTION OF, FOR EXAMPLE, PATRIMONIAL SEA CONCEPT, USG AND GOB STILL WOULD HAVE TO WORK OUT OPERATIONAL ARRANGEMENTS; ONCE PATRIMONIAL SEA CONCEPT AGREED GOB MIGHT HAVE TO TAKE MUCH TOUGHER LINE, RESULTING IN MORE DIFFICULT NEGOTIATION, THAN WAS THE CASE TODAY.

2. PURSUANT TO REFTEL STATE 16468, ECON
COUNSELOR NOTED THAT USG COULD NOT AGREE TO SUBSTANTIAL
INCREASE IN PAYMENTS AND THAT NEGOTIATIONS WOULD PROVE
TO BE TROUBLESOME IF GOB INFLEXIBLE ON THIS POINT.

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